

## Minutes

### Seattle City Employees' Retirement System Regular Board Meeting

Wednesday, August 3, 2011 – 9:00 a.m.  
Pacific Building, 9<sup>th</sup> Floor

**Present:**     ☒ Jean Godden   ☒ Glen M. Lee   ☒ Rod Rich   ☒ Robert Harvey, Jr.   ☒ David Stewart  
                  ☒ Lou Walter

**Others Present:** Neil Rue, PCA; Steve Kovac, SCL; Robert Sugden, ARSCE; Steve Viney, retiree; Guadalupe Perz, PTE, Local 17; John Masterjohn, retiree; John McCoy, Legislative Dept; Carlton Seu, Esq., CAO; Paul Olsen, Esq., CAO; Mike Monaco, Esq., Song Mondress; Cecelia M. Carter, SCERS; Michael Akiyama, SCERS; Anthony Smith, SCERS; Beverly Yapp, SCERS; Steve Neubauer, SCERS; Selam Teklemariam, SCERS; Lisa Carns, SCERS.

Councilmember Godden, Chair - called the meeting to order at 9:04am

Councilmember Godden, Chair opened the meeting announcing Ms. Jean Becker, from Seattle City Light was chosen to serve on the Retirement Board active seat. City Council will vote on her appointment on Monday, August 8, 2011.

#### Public Comment:

*there being none*

#### Minutes:

**Information:** Provided in the Retirement Board packet are the minutes from the July 6, 2011 Retirement Board Regular Meeting.

**Motion:** Upon motion by Lou Walter, seconded by Rod Rich, the Retirement Board approved the minutes from the July 6, 2011 Retirement Board Regular Meeting.

#### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

**Information:** The following items represent normal expenses and nothing extraordinary.

Service	\$9,378,495.69
Beneficiary	\$887,245.54
Disability	\$75,697.36

Pension Payroll – PPE July, 31, 2011	<u>\$10,341,438.59</u>
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Office Payroll – PPE June 7 & 21, 2011	\$ 64,351.52
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Vouchers Processed – June 30, 2011	\$243,743.39
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\*Expert and Consultant Services – \$45,391.42

\*Investment Management Fees – \$95,410.00

\*Interdepartmental Charges - \$67,456.34

\*Miscellaneous - \$35,485.63

## Immediate Withdrawals of Contributions for the month of July 2011:

MEMBER	Department Name	Position
Jones, Adrian Kenneth	SFD	Fire Protection Eng
Conger, Joanne M	HSD	Admin Spec 11
Porter, Elisa N	Parks	Assist Coord
Malo, James	SCL	Civil Construction
Maka, Taufa	Sea Ctr	Laborer
Ludden, Mary Souder	HSD	Personnel
Jawill, Anthony Hernandez	SPU	Meter Reader
Chilingerian, Avedis	SCL	Strategic Adv 3
Semerjian, Joshua J	SPD	Dispatcher
Smith, Christopher R	Sea Ctr	Gardener
Mahood, Tricia L	SPD	Comm/Police Dispatcher
Choi, Stanley K	SPL	Library Tech I
Argo, Jason P	SPU	Sr PR Spec
Hamelin, Ken L	SCL	Elec Con
Bravenec, Susan Elaine	SPL	Librarian
Moderie, Michael W	SDOT	Sr Civil Engr
Akpojovwo, Beabe	SDOT	Admin Asst
Trenor, Eden R	DON	Plan & Dev I

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

**18 Withdrawals for a total of: \$344,736.63**

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Board ratified the Retiree Payroll, Office Payroll, other Payments and Withdrawals.

## Ratification of Service Retirements:

**Information:** The following list represents the retirements that have been processed since the last Retirement Board meeting.

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Bell Jr, Robert L	7/6/2011	23	162	SDOT	Constr&Maint Equip Op	64
Blake, Pamela J	7/6/2011	11	321	Parks	Admin Spec I-BU	66
Carter, Myrtre F	7/6/2011	21	194	Finance	Personnel Spec Sr	66
Crawford, Cheryl	7/2/2011	26	230	City Light	Executive 2	58
Grubbs, Elizabeth J	7/5/2011	24	329	SDOT	Truck Driver	52
Hamilton, Darlene E	7/6/2011	40	12	Library	Librarian Sr	67
Hancock, E L	7/29/2011	16	347	SPU	Civil Engr Assoc	70
Long, Toni R	6/17/2011	3	174	Vested	Vested	65
Manion Jr, Kenneth J	7/1/2011	17	218	Personnel	Sfty Occp Hlth Coord	67

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Munoz,Salvador	7/6/2011	20	214	Parks	Aquarium Biologist 3	54
Murray,Brian E	7/6/2011	37	14	SDOT	Civil Engrng Spec Assoc	62
Nakagawara,Jon H	6/16/2011	30	263	K.C. Health	PPM3 Prev FT	62
Noboa,Carlos F	6/22/2011	23	344	City Light	Elect Con Core CC	62
Pealy,Nicholas	6/23/2011	23	191	Vested	Vested	52
Robins,Donna	7/6/2011	10	81	Human Services	Grants&Contracts Spec Sr	65
Smith Sr,Roosevelt	7/2/2011	30	51	SPU	Wtr Pipe CC WDM II	66
Stanley,Douglas A	6/23/2011	26	18	SDOT	Civil Eng Supv	56
Verzosa,Alfredo O	7/6/2011	20	218	Parks	Admin Staff Asst	56
Wilcoxson,Patricia R	6/30/2011	16	39	Human Services	Admin Support Asst	74
Woods,Teri L	7/2/2011	21	72	Vested	Vested	56

For the month of July: 22 new active Members entered the System, 30 terminations, 20 Members retired in the System, 14 retired members were removed (\$19,576.22), 0 Option D/E Continuations, 3 Option F Reductions.

**Motion:** Upon motion by Rod Rich, seconded by David Stewart, the Retirement Board approved the service retirements listed above, pending final review.

### **Ratification of Investment Transactions and Statement of Securities and Cash:**

**Information:** Provided in the Retirement Board packet is the Investment Summary report that represents the transaction summary and the market value of the investments as of June 30, 2011.

Ms. Carter reported for the month of June the portfolio was down 115 basis points. This compares with the Russell 3000 down 180 basis points, S&P down 167 basis points, and MSCI EAFE down 123 basis points. Year to date ending June 30<sup>th</sup> the portfolio is up 340 basis points. This compares with the Russell 3000 up 635 basis points, S&P up 602 basis points and MSCI EAFE up 535 basis points.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board accepted the Investment Summary report.

An impromptu discussion ensued on the Standard and Poors downgrade of the United States credit rating. Board member, Mr. Rich commented Moody's Investors Services confirmed its AAA rating of the United States, but kept a negative watch status as of August 2, 2011.

Councilmember Godden, Chair informed the public that she participated in a press conference along with representatives from the City and King County government urging national leaders to conclude a settlement to the debt crisis.



## **Investment Committee Report:**

**Information:** The Investment Committee is scheduled to meet at noon on Thursday, August 25, 2011 in the Retirement Office.

Investment Committee met on July 28, 2011. Mr. Neil Rue, Pension Consulting Alliance provided an overview of the Real Return Asset Class Structure. The Real Estate and Private Equity guidelines (draft three) will be redlined and presented at the Investment Committee August 25, 2011.

Ms. Carter announced that staff dialogued with money managers (fix income and equity) regarding the August 2, 2011 debt crisis; ensuring guidelines are broad enough to permit them to maneuver in the event of a default and/or downgrade. Western's guidelines were such that a downgrade would put SCERS portfolio "out of compliance". The guidelines have been amended to permit for 90 days following "a downgrade" the portfolio is traded as if the credit rating of US Treasury and related securities has remained unchanged. Staff will revisit after 90 days.

### **Investment Activity Requiring Board Ratification and/or Recognition**

Mr. Tony Smith, SCERS staff provided recap on the asset/liability study that Pension Consulting Alliance presented February 2010. Mr. Neil Rue, Pension Consulting Alliance re-reviewed the presentation from February 2010 and the decisions that were made at that time.

**Motion:** Upon motion of Glen Lee, seconded by Rod Rich, the Retirement Board approved that PCA and SCERS staff move forward with the Real Return Asset Class construction as outlined in Option 2 of the PCA presentation dated July 2011 and presented at the July 28, 2011 Investment Committee meeting.

### **Advent Capital Management, LLC**

**Motion:** Upon motion by Rod Rich, seconded by David Stewart, the Retirement Board instructs SCERS staff to redeem holdings in Advent Capital Management LLC.

### **Attalus Capital**

**Motion:** Upon motion by Rod Rich, seconded by Glen Lee, the Retirement Board instructs SCERS staff to redeem holdings in Attalus Capital.

### **Western Asset**

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board ratifies the amendment to the Western Asset investment guidelines for a period of 90-days from the date of a downgrade to the United States credit rating – should such event materialize. This temporary amendment provision is applicable if enacted on or before October 31, 2011.

## **Executive Director Report:**

### **Old Business:**

Councilmember Godden, Chair stepped out of the meeting for a moment. Mr. Glen Lee lead the meeting as Chair.

#### **(1) Status of Benefit Enhancements**

**Information:** The estimated current funding level of the Retirement Fund is 67.44% (MV) as of June 30, 2011.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

#### **(2) Items to Discuss**

Investment Policy Guidelines

- Hedge Funds
- Real Estate Draft #3 (present at August 25, 2011 Investment Committee meeting)
- Private Equity Draft # 3 (present at August 25, 2011 Investment Committee meeting)

#### **(3) Interdepartmental Team (IDT) Retirement Study (due to City Council Mid-2012 Budget)**

Mr. John McCoy, Legislative Department announced to the Board and audience that Gabriel Roder Smith was chosen as the actuarial consultant to the IDT Retirement Study pending contract negotiations. Discussion ensued. Board member, Mr. Lou Walter asked if this was the Gabriel Roder Smith that participated in freezing / significantly altering other municipal retirement plans. Mr. McCoy confirmed yes.

### **New Business:**

#### **(1) Dashboard Report: 6/30/2011**

Presented by SCERS staff

- Mr. Mike Akiyama, SCERS staff presented reports to the Board. Questions and dialogue pursued.

#### **(2) Mid-year Financial Statements**

Presented by SCERS staff

- Mr. Mike Akiyama, SCERS staff presented reports to the Board. Questions and dialogue pursued.

#### **(3) Accept Correction to Actuarial Valuation of January 1, 2011**

- Ms. Carter informed the Board that a corrected Actuarial Valuation Report dated July 21, 2011 was provided at the Investment Committee. Ms Carter asked the committee to discard the bound copy received from Milliman at the July 6<sup>th</sup> Board of Administration meeting. The changes included table 9 and 11 – covered payroll corrected and table 12 annual pension cost and net pension obligations. The corrected version is viewable on the SCERS website.

**Motion:** Upon motion by David, seconded by Rod, the Retirement Board accepted the corrected January 1, 2011 Valuation Report.

#### **(4) Board Discussion Regarding "Credit Interest"**

**Presented by SCERS staff, Central staff, Legal advisors**

- John McCoy, Legislative Department presented on behalf of Central staff. Conversation ensued. Board member, Mr. Walter recommended an employee meeting be scheduled for questions and concerns. Board member, Mr. Harvey asked and requested that the "why this is being reviewed" be discussed.

**The Board reserves the right to enter into executive session if necessary**

**Executive Session:**

- The Board entered executive session at 11:15am for 30 minutes to receive legal's presentation on credit interest.
- Ms. Carter and Mr. Carlton announced a 15 minute extension at 11:45am.
- Executive session ended at 12 noon.

**\*\*\* There were no actions taken \*\*\***

**Adjournment:**

**Motion:** Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board voted to adjourn the meeting at 12 noon.

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David Stewart, Secretary